

ERIE TOWNSHIP

Monroe County, Michigan

FINANCIAL STATEMENTS

For The Year Ended June 30, 2008

ERIE TOWNSHIP

TOWNSHIP OFFICIALS

SUPERVISOR -----William D. Frey

CLERK ----- Jolene Upchurch

TREASURER -----Cindy Baum

TOWNSHIP BOARD

William D. Frey
Jolene Upchurch
Cindy Baum
Denise Gordy
Tad J. Cousino

ERIE TOWNSHIP
TABLE OF CONTENTS

Page No.

Independent Auditor's Report	1
Management's Discussion and Analysis	2-4
<i>Basic Financial Statements:</i>	
Government -Wide Statement of Net Assets	5
Government-Wide Statement of Activities	6
Governmental Fund Balance Sheet	7
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	8
Proprietary Fund Statement of Net Assets	9
Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets	10
Proprietary Fund Statement of Cash Flows	11
Fiduciary Statement of Net Assets	12
Fiduciary Statement of Changes in Plan Net Assets	13
Notes to the Financial Statements	14-25
<i>Required Supplementary Information</i>	
Budgetary Comparison Schedule - General Fund	26
Budgetary Comparison Schedule - Law Enforcement Fund	27
Budgetary Comparison Schedule - Public and Private Improvement Fund	28
<i>Additional Information</i>	
Combining Balance Sheet - Nonmajor Governmental Funds	29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	30



INDEPENDENT AUDITOR'S REPORT

Township Board of Erie Township
2060 Manhattan
Erie, MI 48133

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Erie, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Erie Township, Michigan as of June 30, 2008, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion in it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Erie's basic financial statements. The required supplementary budgetary comparisons, and additional combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary budgetary comparisons and combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGuire & McDole

McGuire & McDole
Certified Public Accountants

October 6, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 4% from a year ago – decreasing from 9,078.5 thousand to 8701.1 thousand. As we look at the governmental activities separately from the business-type activities, we can see the governmental activities experienced a decrease, of approximately \$235.5 thousand during the year (5% decrease). The business-type activities experienced a \$141.8 thousand decrease in net assets, primarily due an overall operating loss. In a condensed format, the table below shows a comparison (in thousands of dollars) of the net assets as of the current date to the prior year:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Current Assets	\$ 2,413.6	\$ 2,747.4	\$ 2,128.4	\$ 2,410.1	\$ 4,542.1	\$ 5,157.5
Noncurrent Assets	3,328.5	3,431.1	5,126.3	5,302.6	8,454.8	8,733.7
Total Assets	<u>5,742.1</u>	<u>6,178.5</u>	<u>7,254.8</u>	<u>7,712.7</u>	<u>12,996.9</u>	<u>13,891.2</u>
Long-Term Debt Outstanding	955.2	1,140.2	2,710.0	3,030.0	3,665.2	4,170.2
Other Liabilities	252.1	267.9	378.5	374.6	630.6	642.5
Total Liabilities	<u>1,207.3</u>	<u>1,408.1</u>	<u>3,088.5</u>	<u>3,404.6</u>	<u>4,295.8</u>	<u>4,812.7</u>
Net Assets						
Invested in Capital Assets-						
Net of Debt	3,103.8	3,024.2	2,096.3	1,962.6	5,200.1	4,986.8
Restricted	21.9	12.4	83.3	77.2	105.2	89.5
Unrestricted (Deficit)	<u>1,409.1</u>	<u>1,733.8</u>	<u>1,986.7</u>	<u>2,268.3</u>	<u>3,395.8</u>	<u>4,002.1</u>
Total Net Assets	<u>\$ 4,534.8</u>	<u>\$ 4,770.3</u>	<u>\$ 4,166.3</u>	<u>\$ 4,308.1</u>	<u>\$ 8,701.1</u>	<u>\$ 9,078.5</u>

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, decreased by \$245,700 for the governmental activities. This represents a decrease of approximately 18%. The current level of unrestricted net assets for our governmental activities stands at \$1,409,100, or about 73% of expenditures.

Erie Township
Management's Discussion and Analysis
June 30, 2008

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Program Revenues						
Charges for Services	\$ 50.3	\$ 45.2	\$ 77.2	\$ 102.0	\$ 127.5	\$ 147.2
Operating Grants and Contributions	1.3	0.7	-	-	1.3	0.7
Capital Grants and Contributions	-	-	56.4	-	56.4	-
General Revenues						
Property Taxes	400.9	379.2	-	-	400.9	379.2
State-Shared Revenues	333.4	330.0	-	-	333.4	330.0
Franchise Fees and Permits	672.0	775.3	-	-	672.0	775.3
Unrestricted Investment Earnings	100.6	107.2	113.8	137.3	214.5	244.6
Transfers and Other Revenue	141.1	157.3	-	-	141.1	157.3
	<u>1,699.6</u>	<u>1,795.0</u>	<u>247.4</u>	<u>239.3</u>	<u>1,947.0</u>	<u>2,034.4</u>
Program Expenses						
General Government	507.1	507.5	-	-	507.1	507.5
Public Safety	823.8	815.1	-	-	823.8	815.1
Highways and Streets	498.0	127.2	-	-	498.0	127.2
Recreation and Culture	61.3	58.3	-	-	61.3	58.3
Interest on Long-Term Debt	44.9	67.6	-	-	44.9	67.6
Water and Sewer	-	-	389.3	915.8	389.3	915.8
Total Expenses	<u>1,935.2</u>	<u>1,575.8</u>	<u>389.3</u>	<u>915.8</u>	<u>2,324.4</u>	<u>2,491.6</u>
Change in Net Assets	<u>\$ (235.6)</u>	<u>\$ 219.2</u>	<u>\$ (141.8)</u>	<u>\$ (676.5)</u>	<u>\$ (377.4)</u>	<u>\$ (457.3)</u>

The Township's net assets continue to remain healthy. Total revenues decreased due to fees and permits while total expenses also decreased by 7%. As a result, net assets decreased by \$377,400, compared to a prior year decrease of \$457,300.

Governmental Activities

The Township's total governmental revenues decreased by approximately \$95,000, primarily due to the decrease of franchise fees and permits.

Expenses increased by \$360,000 during the year. This was primarily due to the increase in highways and streets.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. Water is provided through the South County Water System. The Township's water activity accounts for local line extensions and connection fees. We provide sewage treatment to approximately five entities through the Bedford Township sewage treatment plant.

The Township's Funds

Our analysis of the Township's major funds begins on page 7, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007-08 include the General Fund, the Law Enforcement Fund, and the Public and Private Improvement Fund.

The General Fund pays for most of the Township's governmental services and fire protection operations, which incurred expenses of approximately \$195,000 in 2007-08. Fire equipment purchases and related debt are funded through a special millage recorded in the Fire Equipment Fund. Police services are also funded by a special millage recorded in the Law Enforcement Fund.

General Fund Budgetary Highlights

During the fiscal period 2007-08, the Township Board amended the budget to reflect changes which took place during the year. The most significant changes in revenue was a \$147,000 increase in transfers. Additionally there were a few minor changes.

The expenditure budget reflects total expenditures of \$266,350 less than anticipated. All departments except one were within budget allocation.

Capital Asset and Debt Administration

At June 30, 2008, the Township had \$8,455,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township even though these infrastructure assets are the property of the Monroe County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The overall economy will most likely result in a small decrease in state revenue sharing, however, the Township's taxable value will increase approximately 3%, resulting in revenues and expenditures similar to last year.

Despite the decline in the housing market, the Township's taxable value for the 2007-08 fiscal year has a six percent increase over last year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

ERIE TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government		
	<i>Governmental Activities</i>	<i>Business - Type Activities</i>	<i>Total</i>
Assets			
Cash and Cash Equivalents	\$ 2,219,651	\$ 742,715	\$ 2,962,366
Receivables (Net of Allowance for Uncollectibles):			
Accounts	-	20,275	20,275
Assessments	1,050	1,262,760	1,263,810
Tap-Ins	-	48,779	48,779
Loans	57,019	-	57,019
Due From State of Michigan	107,574	-	107,574
Internal Balances	(1,745)	1,745	-
Prepaid Expenses	10,253		10,253
Restricted Cash With Fiscal Agent	19,818	52,172	71,990
	<u>2,413,620</u>	<u>2,128,446</u>	<u>4,542,066</u>
Capital Assets:			
Land	124,685	-	124,685
Infrastructure	-	-	-
Buildings and System	1,986,966	6,398,247	8,385,213
Improvements Other than Buildings	189,254	-	189,254
Machinery and Equipment	2,378,461	-	2,378,461
Less Accumulated Depreciation	(1,900,634)	(1,271,931)	(3,172,565)
Total Capital Assets (Net of Accumulated Depreciation)	<u>2,778,732</u>	<u>5,126,316</u>	<u>7,905,048</u>
Total Assets	<u>5,192,352</u>	<u>7,254,762</u>	<u>12,447,114</u>
Liabilities			
Accounts Payable	14,725	18,433	33,158
Accrued Wages	16,024	-	16,024
Accrued Vacation	12,838	-	12,838
Accrued Payroll Taxes	1,753	-	1,753
Accrued Interest Payable	21,800	40,039	61,839
Noncurrent Liabilities:			
Due Within One Year	184,949	320,000	504,949
Due in More Than One Year	955,249	2,710,000	3,665,249
Total Liabilities	<u>1,207,338</u>	<u>3,088,472</u>	<u>4,295,810</u>
Net Assets			
Invested in Capital Assets Net of Related Debt	2,554,029	2,096,316	4,650,345
Restricted for:			
Veteran's Memorial	3,019	-	3,019
Metro Fees	18,863		18,863
Repair and Maintenance	-	83,274	83,274
Unrestricted	1,958,860	1,986,700	3,945,560
Total Net Assets	<u>\$ 4,534,771</u>	<u>\$ 4,166,290</u>	<u>\$ 8,701,061</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP

**GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 507,064	\$ 50,279	\$ -	\$ -	\$ (456,785)	\$ -	\$ (456,785)
Public Safety	823,822	-	1,288	-	(822,534)	-	(822,534)
Highways and Streets	498,036	-	-	-	(498,036)	-	(498,036)
Culture and Recreation	61,349	-	-	-	(61,349)	-	(61,349)
Interest on Long-Term Debt	44,887	-	-	-	(44,887)	-	(44,887)
Total Governmental Activities	1,935,158	50,279	1,288	-	(1,883,591)	-	(1,883,591)
Business-Type Activities:							
Water and Sewer	389,279	77,231	-	56,400		(255,648)	(255,648)
Total Primary Government	<u>\$ 2,324,437</u>	<u>\$ 127,510</u>	<u>\$ 1,288</u>	<u>\$ 56,400</u>	<u>(1,883,591)</u>	<u>(255,648)</u>	<u>(2,139,239)</u>
General Revenues:							
Property Taxes					400,892	-	400,892
State Shared Revenues					333,442	-	333,442
Franchise Fees and Permits					671,959	-	671,959
Unrestricted Investment Earnings					100,639	113,817	214,456
Miscellaneous					141,087	-	141,087
Transfers					-	-	-
Total General Revenues and Transfers					<u>1,648,019</u>	<u>113,817</u>	<u>1,761,836</u>
Change in Net Assets					(235,572)	(141,831)	(377,403)
Net Assets - Beginning					<u>4,770,343</u>	<u>4,308,121</u>	<u>9,078,464</u>
Net Assets - Ending					<u>\$ 4,534,771</u>	<u>\$ 4,166,290</u>	<u>\$ 8,701,061</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

Assets	General	Law Enforcement	Public and Private Improvement	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 245,182	\$ 89,233	\$ 1,675,761	\$ 209,475	\$ 2,219,651
Assessments Receivable	-	-	1,050	-	1,050
Loans Receivable	-	-	57,019	-	57,019
Prepaid Expenses	10,253	-	-	-	10,253
Due From State of Michigan	107,574	-	-	-	107,574
Due From Other Funds	41,682	-	-	1,751	43,433
Restricted Cash With Fiscal Agent	-	-	19,818	-	19,818
Total Assets	\$ 404,691	\$ 89,233	\$ 1,753,648	\$ 211,226	\$ 2,458,798
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 3,947	\$ 6,671	\$ 2,413	\$ 1,694	\$ 14,725
Accrued Wages	7,854	8,170	-	-	16,024
Accrued Payroll Taxes	1,753	-	-	-	1,753
Due to Other Funds	1,751	41,669	1,758	-	45,178
Deferred Revenue	-	-	58,069	-	58,069
Total Liabilities	15,305	56,510	62,240	1,694	135,749
Fund Balances:					
Reserved for:					
Veteran's Memorial	3,019	-	-	-	3,019
Metro Fees	18,863	-	-	-	18,863
Unreserved, reported in:					
General Fund	367,504	-	-	-	367,504
Special Revenue Funds	-	32,723	1,691,408	209,532	1,933,663
Total Fund Balances	389,386	32,723	1,691,408	209,532	2,323,049
Total Liabilities and Fund Balances	\$ 404,691	\$ 89,233	\$ 1,753,648	\$ 211,226	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 3,328,489

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 58,069

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (1,174,836)

Net Assets of Governmental Activities \$ 4,534,771

See Accompanying Notes to the Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2008

	<i>General</i>	<i>Law Enforcement</i>	<i>Public and Private Improvement</i>	<i>Other Governmental Funds</i>	<i>Totals Governmental Funds</i>
Revenues:					
Taxes and Penalties	\$ 112,235	\$ 128,457	\$ -	\$ 160,200	\$ 400,892
Licenses and Permits	229,414	5,032	403,792	33,721	671,959
State Grants	333,442	-	-	-	333,442
Federal Grants	-	1,288	-	-	1,288
Charges for Services	50,279	-	-	-	50,279
Fines and Forfeits	1,103	73,433	-	-	74,536
Interest	16,746	1,358	76,810	5,725	100,639
Other	50,060	9,231	9,756	3,634	72,681
Total Revenues	<u>793,279</u>	<u>218,799</u>	<u>490,358</u>	<u>203,280</u>	<u>1,705,716</u>
Expenditures:					
Current:					
General Government	465,696	-	196	-	465,892
Public Safety	194,881	405,564	-	73,900	674,345
Highways and Streets	50,405	-	447,631	-	498,036
Recreational and Cultural	156,463	-	-	-	156,463
Debt Service:					
Principal	-	-	70,426	98,822	169,248
Interest and Fiscal Charges	-	-	33,363	17,483	50,846
Total Expenditures	<u>867,445</u>	<u>405,564</u>	<u>551,616</u>	<u>190,205</u>	<u>2,014,830</u>
Excess of Revenue Over (Under) Expenditures	<u>(74,166)</u>	<u>(186,765)</u>	<u>(61,258)</u>	<u>13,075</u>	<u>(309,114)</u>
Other Financing Sources (Uses):					
Operating Transfers In	257,000	220,609	-	25,000	502,609
Operating Transfers Out	-	-	(502,609)	-	(502,609)
Total Other Financing Sources (Uses)	<u>257,000</u>	<u>220,609</u>	<u>(502,609)</u>	<u>25,000</u>	<u>-</u>
Excess of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses	<u>182,834</u>	<u>33,844</u>	<u>(563,867)</u>	<u>38,075</u>	<u>(309,114)</u>
Fund Balance - Beginning	<u>206,552</u>	<u>(1,121)</u>	<u>2,255,275</u>	<u>171,457</u>	
Fund Balance - Ending	<u>\$ 389,386</u>	<u>\$ 32,723</u>	<u>\$ 1,691,408</u>	<u>\$ 209,532</u>	

Amounts reported for governmental activities in the statement of activities are different because:

-Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (102,589)

-Special assessment and similar revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (6,129)

-Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 180,474

-Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 1,786

Change in Net Assets of Governmental Activities \$ (235,572)

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND STATEMENT OF NET ASSETS
JUNE 30, 2008

	<i>Water and Sewer</i>	
	<i>Current Year</i>	<i>Prior Year</i>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 742,715	\$ 793,055
Due From Other Funds	1,745	3,488
Current Portion - Tap-Ins Receivable	17,558	8,222
Current Portion - Assessments Receivable	159,796	163,600
Accounts Receivable	20,275	18,896
Total Current Assets	<u>942,089</u>	<u>987,261</u>
Noncurrent Assets:		
Restricted Cash	52,172	55,861
Long-Term Portion of Tap-Ins Receivable	31,221	58,115
Long-Term Portion of Assessments Receivable	1,102,964	1,308,856
Capital Assets	6,398,247	6,392,830
Less Accumulated Depreciation	<u>(1,271,931)</u>	<u>(1,090,207)</u>
Total Noncurrent Assets	<u>6,312,673</u>	<u>6,725,455</u>
Total Assets	<u>7,254,762</u>	<u>7,712,716</u>
Liabilities		
Current Liabilities:		
Accounts Payable	18,433	17,178
Accrued Interest Payable	40,039	47,417
Current Portion of Noncurrent Liabilities	<u>320,000</u>	<u>310,000</u>
	<u>378,472</u>	<u>374,595</u>
Non-current Liabilities:		
Bonds Payable	<u>2,710,000</u>	<u>3,030,000</u>
Total Liabilities	<u>3,088,472</u>	<u>3,404,595</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,096,316	1,962,623
Restricted For Repair and Maintenance	83,274	77,158
Unrestricted	<u>1,986,700</u>	<u>2,268,340</u>
Total Net Assets	<u>\$ 4,166,290</u>	<u>\$ 4,308,121</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP

**PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Water and Sewer</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Operating Revenue:		
Charges for Service - Sewers	\$ 67,809	\$ 73,940
Tap Fees	9,422	28,050
Other Revenue	<u>-</u>	<u>-</u>
Total Operating Revenue	<u>77,231</u>	<u>101,990</u>
Operating Expenses:		
Depreciation	181,724	181,724
Sewer Usage	61,154	67,295
Other	<u>-</u>	<u>497,394</u>
Total Operating Expenses	<u>242,878</u>	<u>746,413</u>
Operating Income (Loss)	<u>(165,647)</u>	<u>(644,423)</u>
Non-Operating Revenue (Expenses):		
Assessment Revenue	56,400	-
Interest Income	113,817	137,343
Interest Expense	<u>(146,401)</u>	<u>(169,392)</u>
Total Non-Operating Revenue (Expenses)	<u>23,816</u>	<u>(32,049)</u>
Change in Net Assets	(141,831)	(676,472)
Total Net Assets - Beginning	<u>4,308,121</u>	<u>4,984,593</u>
Total Net Assets - Ending	<u><u>\$ 4,166,290</u></u>	<u><u>\$ 4,308,121</u></u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
PROPRIETARY FUND STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	<i>Water and Sewer</i>	
	<u>Current Year</u>	<u>Prior Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 90,282	\$ 101,774
Payments to suppliers	<u>(62,407)</u>	<u>(67,586)</u>
Net Cash Provided by Operating Activities	<u>27,875</u>	<u>34,188</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Assessment Collections	266,096	235,158
Proceeds from Bonds	-	-
Principal Paid on Bonds	(310,000)	(295,000)
Interest Paid on Debt	(146,401)	(169,392)
Purchase of Fixed Assets	<u>(5,416)</u>	<u>(732,655)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(195,721)</u>	<u>(961,889)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) Sale of Investments	-	-
Interest Revenue	<u>113,817</u>	<u>137,343</u>
Net Cash Provided (Used) by Investing Activities	<u>113,817</u>	<u>137,343</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(54,029)	(790,358)
Cash and Cash Equivalents - Beginning	<u>848,916</u>	<u>1,639,274</u>
Cash and Cash Equivalents - Ending	<u>\$ 794,887</u>	<u>\$ 848,916</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (165,647)	\$ (644,423)
Depreciation	181,724	181,724
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:		
Due From Other Funds	1,744	6,975
Taps Receivable	17,558	8,222
Adjustment of Assessment Receivable	-	476,000
Accounts Receivable	(1,379)	321
Accrued Interest Payable	(7,378)	5,660
Accounts Payable	<u>1,253</u>	<u>(291)</u>
Net Cash Provided by Operating Activities	<u>\$ 27,875</u>	<u>\$ 34,188</u>

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
FIDUCIARY FUND -- STATEMENT OF NET ASSETS
JUNE 30, 2008

	<i>Pension Trust Fund</i>	<i>Agency Fund Type (Property Tax Collection Fund)</i>
Assets		
Cash and Cash Equivalents	\$ -	\$ 81
Investments at Fair Value:		
Mutual Funds	<u>292,044</u>	<u>-</u>
Total Assets	292,044	<u><u>\$ 81</u></u>
Liabilities		
Due to Others	<u>-</u>	<u><u>\$ 81</u></u>
Total Liabilities		
Net Assets		
Held in Trust for Pension Benefits	<u><u>\$ 292,044</u></u>	

See Accompanying Notes to the Financial Statements.

ERIE TOWNSHIP
FIDUCIARY FUND STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<i>Pension Trust Fund</i>
Additions:	
Contributions	
Employer	\$ 36,624
Plan Members	<u>16,642</u>
Total Contributions	53,266
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(10,784)</u>
Total Additions	<u>42,482</u>
Deductions:	
Participant Withdrawals	-
Administration Fees	<u>3,146</u>
Total Deductions	<u>3,146</u>
Net Change in Net Assets	39,336
Net Assets - Beginning	<u>252,708</u>
Net Assets - Ending	<u><u>\$ 292,044</u></u>

See Accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - *Summary of Significant Accounting Policies*

NOTE 2 - *Reconciliation of Government-Wide and Fund Financial Statements*

NOTE 3 - *Stewardship, Compliance and Accountability*

NOTE 4 - *Deposits and Investments*

NOTE 5 - *Receivables*

NOTE 6 - *Capital Assets*

NOTE 7 - *Interfund Receivables, Payables and Transfers*

NOTE 8 - *Leases*

NOTE 9 - *Long-term Debt*

NOTE 10 - *Restricted Assets*

NOTE 11 - *Risk Management*

NOTE 12 - *Other Post-Employment Benefits*

NOTE 13 - *Employee Retirement Plan*

NOTE 14 - *Pending Litigation*

NOTE 15 - *Deferred Compensation Plan*

NOTE 16 - *Monroe County Joint Powers Water Contracts (South County Water System)*

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Erie Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Erie Township:

A - Reporting Entity

The Local Governmental Unit is governed by an elected five member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Erie Township has no component units.

B - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered available only when cash is received by the government.

Erie Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Erie Township as of the preceding December 31st. Although Erie Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is Erie Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). The 2007 taxable valuation of Erie Township totaled \$135.8 million, on which ad valorem taxes levied consisted of .8046 mills for Erie Township operating purposes, .9403 mills for police protection, 1.1755 mills for fire equipment, raising \$109,157 for operating, \$127,569 for police protection, and \$159,482 for fire equipment. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable - current or as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Law Enforcement Fund accounts for all police protection expenses and related tax revenue.

The Public and Private Improvement Fund accounts for landfill revenues and block grant loans.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the tap-ins, special assessments, construction and related debt of the water distribution system and the sewage collection system.

Additionally, the government reports the following fund types:

The pension trust fund accounts for the activities of the township employees retirement system which accumulates resources for pension benefit payments to qualified employees.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes tap fees as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets--Revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of Erie Township's water and sewer lines.

Capital Assets--Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Improvements Other than Buildings	20 years
Machinery and Equipment	3 to 15 years
Water and Sewer Lines	30 to 60 years

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Vacation and Sick Leave) --It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations --In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity --In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications --Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates -- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$1,174,836 are as follows:

Bonds and notes payable	\$ 1,140,198
Accrued interest payable	21,800
Compensated absences	<u>12,838</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 1,174,836</u></u>

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$(102,589) are as follows:

Capital outlay	\$ 154,055
Depreciation	<u>(256,644)</u>
	<u><u>\$ (102,589)</u></u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$1,786 are as follows:

Compensated absences	\$ (4,172)
Accrued interest	<u>5,958</u>
	<u><u>\$ 1,786</u></u>

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end. On or before the 1st day of April the Supervisor shall prepare and submit to the Township Board a recommended budget within the tax limit and other revenue sources of the Township covering the next fiscal year. A public hearing on the budget shall be held before its final adoption. On or before the end of the fiscal year, the Township Board shall adopt a budget for the ensuing fiscal year. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level. (i.e., The level at which expenditures may not legally exceed appropriations). The Supervisor is authorized to transfer budgeted amounts between line-items within an activity category; however, any revisions that alter the total expenditures of any activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, Erie Township incurred expenditures in budgeted activities which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Actual Expenditure</u>	<u>Budget Appropriation</u>
General Fund--Public Safety--Erie Fire Department	\$ 108,565	\$ 107,775
Public and Private Improvement Fund--Maintenance	\$ 447,631	\$ 339,194

Fund Deficits--The Local Governmental Unit has no accumulated fund balance/retained earning deficits.

NOTE 4--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Erie Township's Board has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Erie Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Erie Township's deposits and investments were reported in the basic financial statements in the following categories:

<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,219,651	\$ 742,715	\$ 81	\$ 2,962,447
Restricted Cash	19,818	52,172	-	71,990
Total	<u>\$ 2,239,469</u>	<u>\$ 794,887</u>	<u>\$ 81</u>	<u>\$ 3,034,437</u>
	Federal Depository Insurance Coverage			<u>\$ 400,000</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township evaluates each financial institution and assesses the risk level of each one, those with adequate risk levels are used for deposits. The Township has policy for this risk.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not recover the value of its investments or collateral securities that are in the custody of an outside party. The Township has only investments in mutual funds in the amount of \$292,044 which are uninsured, unregistered and held by counterparties for the particular securities. The Township has no policy for this risk.

NOTE 4--DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value on investments will decrease as a result of a rise in interest rates. The Township has no policy for this risk. The Township has no policy with respect to investment maturities.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by a nationally recognized statistical rating organizations. The Township follows the state guidelines and has no investments in this category. The Township has no policy for this risk.

NOTE 5--RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<i>Public and Private Improvement</i>	<i>Water and sewer</i>	<i>Total</i>
Accounts	\$ -	\$ 20,275	\$ 20,275
Special Assessments	1,050	1,262,760	1,263,810
Loans	57,019	-	57,019
Tap-Ins	-	48,779	48,779
Gross Receivables	58,069	1,331,814	1,389,883
Less: Allowance for Uncollectibles	-	-	-
Net Receivables	<u>\$ 58,069</u>	<u>\$ 1,331,814</u>	<u>\$ 1,389,883</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<i>Unavailable</i>
Loans and Grants	\$ 57,019
Special Assessments	1,050
Total	<u>\$ 58,069</u>

NOTE 6--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 124,685	\$ -	\$ -	\$ 124,685
Construction in Progress	549,757	-	(549,757)	-
	<u>674,442</u>	<u>-</u>	<u>(549,757)</u>	<u>124,685</u>
Capital Assets Being Depreciated:				
Buildings	1,986,966	-	-	1,986,966
Improvements Other Than Buildings	169,754	19,500	-	189,254
Infrastructure	-	549,757	-	549,757
Machinery and Equipment	2,243,906	134,555	-	2,378,461
Subtotal	<u>4,400,626</u>	<u>703,812</u>	<u>-</u>	<u>5,104,438</u>
Less Accumulated Depreciation for:				
Buildings	565,668	49,674	-	615,342
Improvements Other Than Buildings	116,928	9,462	-	126,390
Infrastructure	-	27,488	-	27,488
Machinery and Equipment	961,394	170,020	-	1,131,414
Subtotal	<u>1,643,990</u>	<u>256,644</u>	<u>-</u>	<u>1,900,634</u>
Net Capital Assets Being Depreciated	<u>2,756,636</u>	<u>447,168</u>	<u>-</u>	<u>3,203,804</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 3,431,078</u>	<u>\$ 447,168</u>	<u>\$ (549,757)</u>	<u>\$ 3,328,489</u>
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Lines and Connections	\$ 6,392,830	\$ 5,417	\$ -	\$ 6,398,247
Less Accumulated Depreciation for:				
Lines and Connections	<u>1,090,207</u>	<u>181,724</u>	<u>-</u>	<u>1,271,931</u>
Net Capital Assets Being Depreciated	<u>5,302,623</u>	<u>(176,307)</u>	<u>-</u>	<u>5,126,316</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 5,302,623</u>	<u>\$ (176,307)</u>	<u>\$ -</u>	<u>\$ 5,126,316</u>

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 66,412
Public Safety	163,414
Recreation and Culture	<u>26,818</u>
Total Governmental Activities	<u>\$ 256,644</u>
<u>Business-Type Activities</u>	
Water and Sewer	<u>\$ 181,724</u>

NOTE 7--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Law Enforcement	\$ 41,668
	Public and Private Improvement	14
Building	General	1,751
Water - Sewer	Public and Private Improvement	1,744
Total		<u>\$ 45,177</u>

Interfund Transfers

	<u>Transfers In</u>		
	<u>Building Inspection</u>	<u>General</u>	<u>Total</u>
<u>Transfers Out</u>			
Public and Private Improvement	<u>\$ 25,000</u>	<u>\$ 477,609</u>	<u>\$ 502,609</u>

NOTE 8--LEASES

Erie Township had no operating lease obligations at June 30, 2008.

NOTE 9--LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTE 9--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:						
County Contractual Obligations:						
Road Bonds - 2005	4.50%	2017-18	\$ 985,950	\$ (70,425)	\$ 915,525	\$ 70,425
Installment Purchase Agreements:						
Fire Vehicles	5.50%	2009-10	313,271	(98,822)	214,449	104,300
Police Vehicle	6.95%	2008-09	17,558	(8,479)	9,079	9,079
Police Radar Speed	6.95%	2008-09	3,893	(2,748)	1,145	1,145
Total Governmental Activities			<u>\$ 1,320,672</u>	<u>\$ (180,474)</u>	<u>\$ 1,140,198</u>	<u>\$ 184,949</u>
Business-Type Activities:						
County Contractual Obligations:						
2001 Township Water Line	5.0-5.5%	2014-15	\$ 1,390,000	\$ (160,000)	\$ 1,230,000	\$ 165,000
2002 Township Water Line	3.5-4.7%	2016-17	1,170,000	(105,000)	1,065,000	110,000
2006 Township Water Line	4.2-4.55%	2020-21	780,000	(45,000)	735,000	45,000
Total Business-Type Activities			<u>\$ 3,340,000</u>	<u>\$ (310,000)</u>	<u>\$ 3,030,000</u>	<u>\$ 320,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 184,949	\$ 45,853	\$ 320,000	\$ 138,765
2010	180,574	37,340	320,000	123,936
2011	93,900	28,998	335,000	108,936
2012	93,900	26,328	340,000	93,079
2013	93,900	23,159	350,000	76,730
2014 and after	492,975	65,990	1,365,000	180,533
Total	<u>\$ 1,140,198</u>	<u>\$ 227,668</u>	<u>\$ 3,030,000</u>	<u>\$ 721,979</u>

NOTE 10--RESTRICTED ASSETS

The balances of the restricted asset accounts in the governmental funds are as follows:

Road Improvements	<u>\$ 19,818</u>
-------------------	------------------

The balances of the restricted asset accounts in the enterprise funds are as follows:

Debt Retirement	1,911
Construction	50,261
	<u>\$ 52,172</u>

NOTE 11--RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the prior year.

NOTE 11--RISK MANAGEMENT (Continued)

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 12--OTHER POST-EMPLOYMENT BENEFITS

The Township does not have a plan set up for post-employment benefits other than a pension plan.

NOTE 13--EMPLOYEE RETIREMENT PLAN

Defined Contribution Pension Plan

The Township provides pension benefits for all of its permanent employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus any investment earnings. The plan was established and may be amended by the Township Board.

Erie Township contributes eleven percent of base wages for each employee with the employee having an optional contribution of up to ten percent. An employee is fully vested after twenty-one months of service. An insurance company (Manulife Financial) administers the plan and the Township makes monthly contributions. The Township's total payroll for this year was \$539,471. The Township made the required contribution of \$36,624, on covered payroll of \$332,946. Employee contributions totaled \$16,642.

All full time employees participate in the plan.

Note 14 -- Pending Litigation

At present, there are no cases of litigation pending that would have a material effect on the financial statements.

NOTE 15--DEFERRED COMPENSATION PLAN

The Erie Township Board offers all Erie Township employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Erie Township's financial statements.

Note 16 -- Monroe County Joint Powers Water Contracts (South County Water System)

Erie Township, in conjunction with three other communities, has entered into a contract with the Monroe County Drain Commission to provide a water supply and water mains for each of the communities. This is considered a joint venture without an equity interest.

Each community's liability is computed annually using assessed property valuation as a basis. Therefore, Erie Township's liability under this contract is presently undeterminable but, at this time, is estimated to be approximately 12.32% of the contract amount. The South County Water System currently makes all payments of principal and interest on these contracts, but the units of government will still be liable for principal should South County Water System not be able to meet the obligation.

Note 16 -- Monroe County Joint Powers Water Contracts (South County Water System) (Continued)

Summary financial information as of, and for the fiscal year ended December 31, 2007 is as follows:

	<u>South County Water System</u>
Cash and Investments	\$ 8,017,633
Other Assets	<u>24,630,649</u>
Total Assets	<u>32,648,282</u>
 Total Liabilities	 <u>4,475,058</u>
Total Net Assets	<u><u>\$ 28,173,224</u></u>
 Total Revenue	 \$ 4,930,221
Total Expenses	<u>3,655,255</u>
Net Change in Net Assets	<u><u>\$ 1,274,966</u></u>
 Current Portion of Long-Term Debt	 \$ 145,000
Long-Term Debt, Less Current Portion	<u>3,976,850</u>
Total Debt	<u><u>\$ 4,121,850</u></u>

Complete financial statements for this joint entity are in the 2007 Financial Statements of the Monroe County Drain Commission County Agency.

Required Supplementary Information

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget -</i>
				<i>Positive</i>
				<i>(Negative)</i>
Beginning Fund Balance	\$ 120,432	\$ 120,432	\$ 206,552	\$ 86,120
Resources (Inflows)				
Taxes	111,750	111,750	112,235	485
Licenses and Permits	225,250	229,550	229,414	(136)
State Grants	333,161	333,161	333,442	281
Charges for Services	50,227	50,227	50,279	52
Fines & Forfeits	4,500	4,500	1,103	(3,397)
Interest	7,500	7,500	16,746	9,246
Other	23,975	19,675	50,060	30,385
Transfers from Other Funds	110,000	257,000	257,000	-
Total Resources (Inflows)	866,363	1,013,363	1,050,279	36,916
Amounts Available for Appropriation	986,795	1,133,795	1,256,831	123,036
Charges to Appropriations (Outflows)				
General Government:				
Township Board	18,150	23,150	20,759	2,391
Supervisor	45,640	45,640	43,274	2,366
Elections	19,000	19,000	14,076	4,924
Audit	16,000	16,000	12,425	3,575
Assessing	48,050	48,050	45,135	2,915
Legal	24,000	24,000	14,924	9,076
Clerk	48,537	48,537	44,326	4,211
Board of Review	2,100	2,100	1,371	729
Treasurer	45,835	45,835	45,277	558
Building and Grounds	125,462	147,462	138,672	8,790
Cemeteries	8,825	8,825	6,644	2,181
Planning Commission	7,455	7,455	3,896	3,559
Board of Zoning Appeals	3,900	3,900	1,207	2,693
Storm Water Management	-	1,500	989	511
Other - Unclassified	110,711	109,211	72,721	36,490
Total General Government	523,665	550,665	465,696	84,969
Public Safety:				
Fire Department - Morin Pointe	88,500	93,500	86,316	7,184
Fire Department - Erie	82,775	107,775	108,565	(790)
Total Public Safety	171,275	201,275	194,881	6,394
Highways and Streets				
Maintenance	228,200	218,200	50,405	167,795
Culture and Recreation				
Recreation Commission	61,325	161,325	155,596	5,729
Library	2,330	2,330	867	1,463
Total Culture and Recreation	63,655	163,655	156,463	7,192
Transfers to Other Funds	-	-	-	-
Total Charges to Appropriations	986,795	1,133,795	867,445	266,350
Budgetary Fund Balance -- June 30, 2008	\$ -	\$ -	\$ 389,386	\$ 389,386

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget -</i>
				<i>Positive</i>
				<i>(Negative)</i>
Beginning Fund Balance	\$ 20,000	\$ 20,000	\$ (1,121)	\$ (21,121)
Resources (Inflows)				
Taxes	127,689	127,689	128,457	768
Federal Grants	-	-	1,288	1,288
Licenses and Fees	5,200	5,200	5,032	(168)
Fines and Forfeits	125,000	125,000	73,433	(51,567)
Interest	1,200	1,200	1,358	158
Other	8,500	8,500	9,231	731
Transfers from Other Funds	110,609	220,609	220,609	-
Total Resources (Inflows)	<u>378,198</u>	<u>488,198</u>	<u>439,408</u>	<u>(48,790)</u>
Amounts Available for Appropriation	<u>398,198</u>	<u>508,198</u>	<u>438,287</u>	<u>(69,911)</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Wages			223,151	
Benefits			67,747	
Supplies			30,607	
Training			2,399	
Legal			31,620	
Other			46,589	
Capital			3,451	
Total Charges to Appropriations	<u>398,198</u>	<u>508,198</u>	<u>405,564</u>	<u>102,634</u>
Budgetary Fund Balance -- June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,723</u>	<u>\$ 32,723</u>

ERIE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
PUBLIC AND PRIVATE IMPROVEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget -</i>
				<i>Positive</i>
				<i>(Negative)</i>
Beginning Fund Balance	<u>\$ 1,721,500</u>	<u>\$ 1,721,500</u>	<u>\$ 2,255,275</u>	<u>\$ 533,775</u>
Resources (Inflows)				
Licenses and Permits	300,000	300,000	403,792	103,792
Interest	55,000	55,000	76,810	21,810
Other	16,725	16,725	9,756	(6,969)
Total Resources (Inflows)	<u>371,725</u>	<u>371,725</u>	<u>490,358</u>	<u>118,633</u>
Amounts Available for Appropriation	<u>2,093,225</u>	<u>2,093,225</u>	<u>2,745,633</u>	<u>652,408</u>
Charges to Appropriations (Outflows)				
General Government:				
Community Development			24	
Other - Unclassified			172	
Capital			-	
Total General Government	<u>1,389,501</u>	<u>1,142,501</u>	<u>196</u>	<u>1,142,305</u>
Highways and Streets				
Maintenance	<u>339,194</u>	<u>339,194</u>	<u>447,631</u>	<u>(108,437)</u>
Debt Service				
Principal			70,426	
Interest and Fees			33,363	
	<u>103,921</u>	<u>103,921</u>	<u>103,789</u>	<u>132</u>
Transfers to Other Funds	<u>260,609</u>	<u>507,609</u>	<u>502,609</u>	<u>5,000</u>
Total Charges to Appropriations	<u>2,093,225</u>	<u>2,093,225</u>	<u>1,054,225</u>	<u>1,039,000</u>
Budgetary Fund Balance -- June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,691,408</u></u>	<u><u>\$ 1,691,408</u></u>

Additional Information

ERIE TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>Special Revenue</u>		<u>Total</u>
	<u>Building</u>	<u>Fire</u>	<u>Nonmajor</u>
	<u>Inspection</u>	<u>Equipment</u>	<u>Governmental</u>
			<u>Funds</u>
<i>Assets</i>			
Cash and Cash Equivalents	\$ 19,946	\$ 189,529	\$ 209,475
Investments	-		-
Due From Other Funds	<u>1,751</u>	<u>-</u>	<u>1,751</u>
Total Assets	<u>\$ 21,697</u>	<u>\$ 189,529</u>	<u>\$ 211,226</u>
<i>Liabilities and Fund Balance</i>			
Liabilities:			
Accounts Payable	\$ 1,694	\$ -	\$ 1,694
Total Liabilities	<u>1,694</u>	<u>-</u>	<u>1,694</u>
Fund Balance:			
Unreserved	<u>20,003</u>	<u>189,529</u>	<u>209,532</u>
Total Liabilities and Fund Balance	<u>\$ 21,697</u>	<u>\$ 189,529</u>	<u>\$ 211,226</u>

ERIE TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Building Inspection</u>	<u>Fire Equipment</u>	
Revenues:			
Taxes & Penalties	\$ -	\$ 160,200	\$ 160,200
Licenses & Permits	33,721	-	33,721
Interest	-	5,725	5,725
Other	3,634	-	3,634
	<u>37,355</u>	<u>165,925</u>	<u>203,280</u>
Total Revenue			
Expenditures:			
Current			
Public Safety	73,900	-	73,900
Debt Service:			
Principal	-	98,822	98,822
Interest and Fiscal Charges	-	17,483	17,483
	<u>73,900</u>	<u>116,305</u>	<u>190,205</u>
Total Expenditures			
Excess of Revenue Over (Under) Expenditures	<u>(36,545)</u>	<u>49,620</u>	<u>13,075</u>
Other Financing Sources (Uses):			
Operating Transfers In	25,000	-	25,000
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses	(11,545)	49,620	38,075
Fund Balance - Beginning	<u>31,548</u>	<u>139,909</u>	<u>171,457</u>
Fund Balance - Ending	<u>\$ 20,003</u>	<u>\$ 189,529</u>	<u>\$ 209,532</u>



McGuire & McDole
Certified Public Accountants

L. Donavon McGuire, CPA
Mark McDole, CPA

6588 Secor Road
Lambertville, MI 48144
Tel 734-854-5044
Fax 734-854-2540

October 6, 2008

Erie Township
2065 Erie Road
PO Box 187
Erie, MI 48133-0187

We have audited the financial statements of the Erie Township for the year ended June 30, 2008, and have issued our report thereon dated October 6, 2008. Professional standards require that we provide you with the following information related to our audit.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting with management.

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Erie Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The disclosures in the financial statements are neutral, consistent and clear.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

We have requested certain representations from management that are included in the management representation letter.

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

We generally discuss a variety of matters, including the application of accounting principles, and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of Erie Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Erie Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency in controls that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected. We deem the following a material weakness.

Financial Statements --The Township does not maintain personnel or procedures to prepare financial statements required by generally accepted accounting principles in the United States of America including capital assets, accruals and disclosures.

The following comment does not constitute material weakness or significant deficiency.

Excess Expenditures – At year end the Township had expenditures in excess of adjusted budget amount. All expenditures should be within the amount appropriated. During the year expenditures were in excess of budget. All budget amendments must be made prior to the expenditure and all bills must be approved prior to payment.

This information is intended solely for the use of Erie Township Board and management of Erie Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McGuire & McDole
Certified Public Accountants